



PRESS RELEASE

AG Frosh: Drug Company to Pay Maryland \$6 Million for Medicaid Fraud

Wyeth, a Wholly Subsidiary of Pfizer, Inc. knowingly underpaid rebates owed under the Medicaid Drug Rebate Program; Pays \$784.6 million to the federal government and states

Baltimore, MD (May 5, 2016) -- Attorney General Brian E. Frosh announced today that Maryland will receive \$6,030,828.60 pursuant to an agreement in principle to settle allegations against Wyeth, a wholly owned subsidiary of Pfizer, Inc. The settlement will resolve allegations that Wyeth knowingly underpaid rebates owed under the Medicaid Drug Rebate Program for the sales of Protonix Oral and Protonix IV between 2001 and 2006. Under the settlement, Wyeth agreed to pay \$784.6 million collectively to the federal government and the states. The portion of Maryland's recovery is shared with the federal government, which provides joint funding for the Medicaid program.

"The Medicaid Drug Rebate Program is an important tool for controlling the high cost of prescription drugs," said Attorney General Frosh. "This settlement reinforces every drug manufacturer's duty to report honest and accurate information."

The settlement stems from two whistleblower lawsuits, *U.S., al., ex rel. Kieff v. Wyeth Pharmaceuticals, Inc.*, Civ. No. 03-cv-12366, and *U.S., et al., ex rel. William St. John LaCorte v. Wyeth*, Civ. No. 06-cv-11724 which were filed in the United States District Court for the District of Massachusetts. Maryland, along with the United States, 34 other states, and the District of Columbia intervened in the lawsuits.

The Medicaid Prescription Drug Rebate Program was enacted by Congress in 1990 as a cost containment measure for Medicaid's payment for outpatient drugs. The Medicaid Drug Rebate Program requires participating pharmaceutical manufacturers to pay quarterly rebates to State Medicaid programs for each of its drugs sold to pharmacies that were reimbursed by Medicaid. The quarterly rebate is determined from each pharmaceutical manufacturer's reported "Best Price," or the lowest price for which it sold a covered drug in a particular quarter. In their court filings, the government plaintiffs alleged that during the third quarter 2001 through the fourth quarter 2006, Wyeth sold Protonix Oral tablets and Protonix IV to hospitals at discounted prices. The governments alleged that Wyeth's contracts with the hospitals created a bundled sale under the terms of the Medicaid Drug Rebate Agreement by linking discounts available to participating

hospitals for Protonix IV to discounts on Protonix Oral tablets. However, Wyeth did not treat the sales of Protonix Oral tablets and Protonix IV as bundled and therefore failed to properly allocate the discounts available under the contract. As a result of this failure, Wyeth underpaid the rebates it owed during this period.

Wyeth, Inc. was a Delaware corporation with its headquarters in Madison, New Jersey. Pfizer, Inc. is a Delaware corporation headquartered in New York, New York. Pfizer acquired Wyeth, Inc., in 2009.

The State settlements were negotiated by representatives from the Office of the Attorneys General for New York, North Carolina, Indiana and the Commonwealth of Massachusetts working with the Department of Justice, the United States Attorney's Office for the District of Massachusetts, and the United States Department of Health and Human Services Office of Inspector General.

Attorney General Frosh thanked Assistant Attorneys General Shelly Marie Martin, Catherine Pascale, and Medicaid Fraud Control Unit chief auditor Ruth Jarrell for their work on this matter.